



MAGIC VALLEY

BLAINE, CAMAS, CASSIA, GOODING, JEROME, LINCOLN, MINIDOKA, & TWIN FALLS COUNTIES

EMPLOYMENT TRENDS

The seasonally adjusted unemployment rate for the Magic Valley Labor Market Area for March 2004 was 3.8 percent. This was two-tenths of a percentage point lower than February 2004 and one-tenth of a percentage point lower than March 2003. *Civilian Labor Force* increased by 3,500 workers, or 6.5 percent, year-over-year.

Nonfarm Payroll Jobs increased by 4,860 workers, or 12.3 percent, from March 2003 to March 2004. Major gains occurred in *Construction* and *Wholesale Distribution* with increases of 37.0 and 10.5 percent, respectively. Decreases occurred in *Wood Processing* and *Transportation* with losses of 14.8 and 17.9 percent, respectively.

The overall Magic Valley economy remains robust with new job creation and low unemployment. Wage underemployment continues to be a problem, but it also presents an opportunity for employers since there is an excellent workforce willing and able to be trained for good careers with competitive wages and benefits.

SPECIAL TOPIC: Ag Outlook Update

Many developments have taken place in the agricultural sector since the first part of 2004, but probably none are more important than the evolution of the 2003-2004 water year. Heavy snows early in the winter that lasted well into February raised irrigators' hopes for an excellent water year that would break the five-year drought cycle. At the end of February, snow levels in most areas were close to 100 percent of normal, and some exceeded that mark. Unfortunately March was an unseasonably warm and dry month. Record high temperatures caused the snow to melt quickly and a good portion soaked into the ground; the water that ran off, did so too quickly. The result is that most areas are short of water. The estimate is that the reservoirs are about 80 percent of normal.

Groundwater was and is a serious concern in South Central Idaho. Years of dairy expansion, new farms, and growing municipalities worked together to jeopardize the flows in the Snake River Aquifer.

Magic Valley Table 1: Labor Force & Employment
Twin Falls, Jerome, and Gooding Counties

	Mar 2004*	Feb 2004	Mar 2003	% Change From	
				Last Month	Last Year
INDIVIDUALS BY PLACE OF RESIDENCE					
Seasonally Adjusted					
Civilian Labor Force	57,500	57,170	54,000	0.6	6.5
Unemployment	2,210	2,310	2,100	-4.3	5.2
% of Labor Force Unemployed	3.8	4.0	3.9		
Total Employment	55,290	54,860	51,900	0.8	6.5
Unadjusted					
Civilian Labor Force	56,650	55,970	53,030	1.2	6.8
Unemployment	2,540	2,890	2,330	-12.1	9.0
% of Labor Force Unemployed	4.5	5.2	4.4		
Total Employment	54,110	53,080	50,700	1.9	6.7
JOBS BY PLACE OF WORK					
Nonfarm Payroll Jobs**	44,400	43,650	39,540	1.7	12.3
Goods-Providing Industries	7,810	7,610	6,780	2.6	15.2
Natural Resources & Mining	20	20	40	0.0	-50.0
Construction	2,520	2,480	1,840	1.6	37.0
Manufacturing	5,270	5,110	4,900	3.1	7.6
Food Manufacturing	3,570	3,510	3,010	1.7	18.6
Other Manufacturing	1,610	1,600	1,890	0.6	-14.8
Service-Providing Industries	36,590	36,040	32,760	1.5	11.7
Trade, Transportation & Utilities	10,170	9,960	9,770	2.1	4.1
Wholesale Trade	1,900	1,940	1,720	-2.1	10.5
Retail Trade	6,280	6,020	5,740	4.3	9.4
Utilities	250	270	190	-7.4	31.6
Transportation & Warehousing	1,740	1,730	2,120	0.6	-17.9
Information	500	490	500	2.0	0.0
Financial Activities	1,740	1,790	1,700	-2.8	2.4
Professional & Business Services	6,410	6,080	5,010	5.4	27.9
Educational & Health Services	3,790	3,820	3,090	-0.8	22.7
Leisure & Hospitality	3,650	3,520	3,320	3.7	9.9
Other Services	1,520	1,500	1,480	1.3	2.7
Government Education	4,230	4,290	3,860	-1.4	9.6
Government Administration	4,580	4,590	4,030	-0.2	13.6

*Preliminary Estimate

**Full- or part-time jobs of people who worked for or received wages in the pay period including the 12th of the month

fer. This has threatened the water flow to aquaculture businesses in the Buhl-Hagerman areas. Lower aquifer levels and water quality threaten the trout hatcheries and jeopardize the very existence of aquaculture. A decade ago, litigation resulted in giving aquaculture businesses the ability to call for water curtailment if the aquifer falls to specified low levels. In 2003, the aquifer fell to those levels and the call was issued through the Idaho Department of Water Resources for a reduction of 26,500 acre-feet of water by groundwater users located on the north side of the Snake River Canyon in Gooding, Jerome, Lincoln, and Minidoka Counties. Parameters of the curtailment state that groundwater users who use water to irrigate one and one-half acre or more and had water rights later than July 13, 1962, would need to discontinue water consumption in the wells in question. Letters were sent out to 750 various users including 25 dairies and several municipalities. The dairies alone had 127,000 cows and approximately 2,400 workers. Several cities such as Jerome and Rupert would have to face curtailment of a large percentage of its wells.

Due to the potentially catastrophic economic damage, a one-year compromise was reached and negotiations will go on until next year when, hopefully, a final plan will be reached.

With this uncertain backdrop, economists and other experts look toward to the agricultural year and predict how the year will shape up economically. First, because of possible water shortage, many farmers made the decision to grow shorter growing season crops like grain and corn. Some farmers in the Mini-Cassia area took the risk of planting sugar beets a couple of weeks early despite the danger of frost or early spring wind damage. In fact, on May 10 high winds severed the beets in about 10 to 12 percent of Mini-Cassia fields forcing replanting in spite of the risk that water might run out before the crop is harvested. The outlook for sugar beets is for average to slightly below average prices. The recently signed Central American Free Trade Act (CAFTA) could have a negative effect on sugar beet prices because it will be less expensive to import cane sugar from Central America.

Potatoes continue to be a serious concern for farmers. The closure of the J.R. Simplot Plant in Heyburn and the layoffs at the McCain plant, both food processing plants, coupled with inventories of processed potatoes at 15-year highs, the overall number of contracts offered to area farmers has dropped. Many farmers will be forced to sell their crops on the open market. The popular Atkins Diet, which emphasizes limiting carbohydrates, has caught on despite some worries from health experts that more protein intake could cause cardiovascular problems. Since potatoes are high in carbohydrates, this fad has had a perceptible impact on the potato market. Food processors are trying various marketing efforts including one that seems to have a good chance of success—marketing dehydrated potatoes. Including dehydrated potatoes in shipments to war-torn areas of the world and to combat worldwide hunger may increase demand and thus stabilize the potato market. Despite such viable marketing strategies, the outlook for potatoes is lower than normal prices in the open market.

Grain crops are showing signs of serious problems. The drought and insect infestations have caused the early grain quality to be very poor in many places. Black grass bugs and Mormon crickets have put many grain fields in jeopardy. The extremely dry March weather further compounded the problems facing farmers. Even recent rain and cooler temperatures have done little to help. The early corn crop has looked healthy, however, and the hay crop also looks good. The commodities should have strong markets since the dairy prices have increased dramatically. As for wheat and barley, those farmers whose fields are free of insect trouble could have good prices since the supply of good grain will be reduced. The barley farmers could have difficulty in meeting malting barley standards. Those that do should have good prices due to reduced supply. In general, agriculture dry beans and peas will have an average year, and garden variety beans should have an above average outlook.

The beef market was rocked in late 2003 when mad cow disease was discovered in the United States. Prices plummeted and foreign export markets dried up virtually overnight. It even had an effect on processed potatoes because consumers feared that French fries tipped in beef tallow could somehow be infected. However, the domestic popular demand for beef returned quickly and the decisive moves made by the U.S. Department of Agriculture reassured many foreign buyers. For the most part, prices have risen back to nearly as high as they were before the mad cow scare. The Atkins diet has actually benefited the meat markets since it calls for the consumption of protein. The outlook for lamb, hogs, and poultry look good. Also, with the start of economic recovery, demand for trout has increased and the outlook for aquaculture is better than it has been for the last two years.

Dairy prices have made an abrupt change upward since last year when dairy prices hovered somewhere around \$9.50 per hundredweight of milk. This year, demand has increased dramatically and the price has nearly doubled from last year. As a result, more dairy workers are being hired and milk-dependent businesses such as cheese factories are hiring more workers. Dairy farmers are also contemplating expansion to take advantage of economies of scale. This is a concern for several reasons. First, dairies use a great deal of water and, with the Snake River Aquifer experiencing a severely reduced rate of recharge, water usage, water rights, and conservation issues will have to be taken into consideration. Second, Gooding, Jerome, and western Twin Falls Counties have a dairy density issue and large areas for expansion really are not feasible there. That leaves the Mini-Cassia area as a viable expansion area. The economic development plan for the new Simplot Industrial Park calls for milk-related food processing and some dairies might expand in that area. However, water usage remains an issue that must be resolved.

In summary, general agriculture in South Central Idaho is facing a very challenging year. Lack of water, crop damage, insect infestation, and uncertain prices will make it difficult for farmers. Though Idaho farmers have always been resilient and will weather these challenges, it is imperative that a viable water usage plan be developed so that the aquifer can be recharged. Agricultural hiring has been about normal. The drought situation may shorten the work year of irrigators. Finally, the most important factor is something out of anyone's control and that is the moisture received during the 2004-2005 water year. The cycle of drought must stop soon and an entire year of above normal precipitation is desperately needed. If the drought continues, severe water conservation measures will be needed as early as next year.

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